

AGENCY AUDIT REQUEST FOR PROPOSAL

ACTION
Agenda Item D-3
March 19, 2001

Recommendation

The staff recommends that the council authorize the issuance of the attached RFP for auditing services and that the Executive Committee be authorized to select the audit firm that will perform an annual audit of the council beginning with the 2000-01 fiscal year.

Background

The council's budget for 2000-01 is approximately \$218 million. Historically, the council has had a much smaller budget, consisting almost entirely of agency operating funds. The postsecondary reform has resulted in sizeable amounts of money appropriated to the council as trust funds or pass-throughs, all going to the institutions. Because of the size and complexity of the operating budget, an annual audit of the agency's finances is necessary.

The draft RFP calls for a financial audit of all fund sources for 2000-01 and a management audit of the Strategic Investment and Incentive Trust Funds and pass-through programs for the same period. The management audit will determine whether a proper system of internal controls is in place for the receipt and disbursement of funds.

Council Chair Charles Whitehead has directed that the Executive Committee review proposals from competing vendors and select the audit firm. The audited financial statements will go to the council through the Executive Committee and to agency management.

Staff Preparation by Dennis L. Taulbee

Council on Postsecondary Education

ANNUAL AUDIT

Council on Postsecondary Education
Request for Proposals
Audit--Council on Postsecondary Education & KYVU/KYVL

Section I - General Description

This Request for Proposals solicits bids to perform a financial audit of the Council on Postsecondary Education including all state and federal funds for the 2000-01 fiscal year. Additionally, the council seeks management assistance in establishing proper operating controls for the expenditure of the Strategic Investment and Incentive Trust Funds, Pass-Through Programs and for the two federal programs, Eisenhower Science and Mathematics, and GEAR UP.

The Council on Postsecondary Education is an agency of the Commonwealth of Kentucky established in KRS 164.001 with primary powers and duties established in KRS 164.020. The relevant programs of the Council on Postsecondary Education that are to be subject to the audit are:

General Operations
Pass-Through Programs
Strategic Investment and Incentive Trust Funds
Kentucky Virtual University/Kentucky Virtual Library
Eisenhower Science and Mathematics—Federal
GEAR UP—Federal

Appendix A presents budget information for each of the programs listed above.

Section II - Scope of Work

1. The Council on Postsecondary Education seeks a financial audit for the 2000-01 fiscal year for all funds appropriated to the Council on Postsecondary Education by the state and expended by the council during 2000-01 in accordance with generally accepted auditing standards. The selected vendor will perform the audit and issue an independent auditor's report on the financial statements, including a balance sheet, of the council as of June 30, 2001.
2. The Council on Postsecondary Education seeks a financial audit for the 2000-01 fiscal year for all federal funds appropriated to the Council on Postsecondary Education and expended by the council during 2000-01 in accordance with generally accepted auditing standards. The vendor will perform the audit and issue an independent auditor's report on the financial statements, including a balance sheet, of the council as of June 30, 2001. The audit will conform to Government Auditing Standards issued by the Comptroller General of the United States and

OMB Circular A-133 “Audits of Institutions of Higher Education and Other Non-Profit Institutions.”

3. The Council on Postsecondary Education seeks management assistance for Strategic Investment and Incentive Trust Funds, pass-through programs, and the Eisenhower Science and Mathematics and GEAR UP programs to ascertain whether:
 - A proper system of internal controls on the disbursement of funds is in place.
 - Proper accountability exists for the disbursement of funds to third parties.
 - Documentation and reporting by second or third parties receiving funds is adequate so as to ensure proper accountability.
4. A separate letter covering its study of internal controls, accountability and reporting of expenditures by parties receiving funds will be provided to the council and to the management of the council.

Section III - Proposals

Interested parties should submit:

1. A brief description of their firm.
2. A list of the personnel of the firm who will be directly involved in working with the CPE staff. This information should provide brief resumes.
3. The name of the project manager and a brief description of that individual’s experience with similar projects. Please include references and contacts, including phone numbers.
4. A list of current and past clients of the firm including name, title, phone/fax numbers of references for two recent client institutions where similar work has been performed.
5. Plan of services, including a detailed project agenda and timelines, that completely addresses the Scope of Work in Section II. Provide a clear and concise work plan identifying:
 - All major phases of the work to be performed.
 - The estimated amount of time.
 - Anticipated completion date(s) for each phase.
 - Precedence or priority order for each phase.

- Required assistance from the agency.
6. Proposed price schedule commensurate with the detailed list of services.
 7. An estimate of the cost of providing each service listed in Section II, including an estimate of hours to complete each task, and a total price to complete the entire audit. The proposal should include the fee charged by classification of employee (partner, manager, associate, etc.). Provide an explanation of the method that would be used to adjust the fee during the three optional, annual renewal periods.

Section IV - Criteria for Selection

1. Reputation, stability, expertness, and experience of designated personnel, including emphasis on project manager's background and experience. The qualification of the staff assigned to the audit will be a significant factor. **(20 points)**
2. Reputation of the firm based upon references and the technical experience of the firm. The firm must have a regional or national reputation to be successful. **(10 points)**
3. Plan of services to be provided, including a detailed project agenda and timelines. Please provide a clear and concise work plan identifying all major phases of the project and the targeted completion date(s). The appropriateness and adequacy of the detail comprising the scope of the audit and the adequacy of the detailed work plan will be significant factors. **(40 points)**
4. Cost. **(30 points)**

Section V - Submission and Acceptance of Proposals

1. Proposals should:
 - a) Be mailed to:

**Dennis L. Taulbee
Council on Postsecondary Education
1024 Capital Center Drive
Suite 320
Frankfort, Kentucky 40601**
 - b) Include one original and seven copies.
 - c) Be received at the address above by 3 p.m., April 18, 2001.

- d) Be marked in the lower left hand corner of the outer envelope:
CPE—Audit Contract.
- 2. Any contract resulting from this RFP shall be a Personal Service Contract pursuant to KRS 45A.695.
- 3. Any contract resulting from this RFP shall be governed by all provisions of KRS Chapter 45A and the Finance and Administration Cabinet's Manual of Policy and Procedures, both available on-line: **<http://www.state.ky.us/agencies/purch/vipweb2.htm>**.
- 4. The Council on Postsecondary Education reserves the right to reject any and all proposals and bears no responsibility for any costs of preparing any proposal.
- 5. Questions pertaining to this RFP should be directed to:

Dennis L. Taulbee
Associate Vice President for Operations
Council on Postsecondary Education
1024 Capital Center Drive
Suite 320
Frankfort, Kentucky 40601
Phone: (502) 573-1555 Fax: (502) 573-1535

- 6. A mandatory pre-bid conference will be held on April 3, 2001, for the purpose of answering questions related to the RFP. That conference will be held in Conference Room B, 1024 Capital Center Dr., Suite 320, Frankfort, KY 40601. Documentation will be provided at that time.

Section VI- Other Requirements

- 1. The vendor shall comply with the Finance and Administration Cabinet's "Minimum Audit Scope for Compliance," dated August 1983, plus any subsequent revisions.
- 2. The vendor shall comply with generally accepted auditing standards and shall provide a letter of reportable conditions noted during the audit related to inherent weaknesses of controls, procedures, policies or noncompliance with governmental laws or regulations, and suggest possible improvements. See Statement on Auditing Standards No. 60.
- 3. The vendor shall provide copies of the comprehensive financial statements and management letter to the Auditor of Public Accounts and to the Finance and Administration Cabinet.
- 4. The vendor shall provide 60 copies of the financial audit and of the management letter.

5. The council anticipates that the contract will be awarded by April 30, 2001. The audit report is due to the council no later than September 30, 2001.
6. A draft of financial statements is expected to be completed by August 15, 2001, and will be made available to the council.

Section VII- Award of Contract

One firm that in the opinion of the council has submitted the best proposal in accordance with the published evaluation criteria will be awarded a one-year contract by the Council on Postsecondary Education for an annual audit.

Section VIII - Contract Term

The contract shall be renewable for three additional years at the discretion of the council and at a price determined by the parties.

Appendix A

2000-01 Agency Operating Budget

Council on Postsecondary Education
2000-01 Federal Programs
Summary of Revenues and Expenditures

Category of Expenditure	2000-01			
	Enacted Operating Budget	% of Total	Current Operating Budget	% of Total
REVENUES				
General Fund				
Carry-Forward		0.0%		0.0%
Current Appropriation		0.0%		0.0%
Current Year Interest Earnings		0.0%		0.0%
Surplus Expenditure Plan		0.0%		0.0%
Sub Total General Fund	0	0.0%	0	0.0%
Agency Receipts				
Carry-Forward		0.0%		0.0%
Current Receipts		0.0%		0.0%
Sub Total Agency Receipts		0.0%		0.0%
Federal Funds				
Carry-Forward	0	0.0%	0	0.0%
Current Receipts	1,100,000	100.0%	3,104,000	100.0%
Sub Total Federal Funds	1,100,000	100.0%	3,104,000	100.0%
TOTAL REVENUES	1,100,000	100.0%	3,104,000	100.0%
Expenditures by Major Object				
Personal Services	0	0.0%	276,000	8.9%
Operating Expenses	0	0.0%	35,000	1.1%
Grants, Loans, Benefits	1,100,000	100.0%	2,793,000	90.0%
Capital Expenses	0	0.0%	0	0.0%
Total Expenditures by Major Object	1,100,000	100.0%	3,104,000	100.0%
Expenditures by Program				
Eisenhower Math and Science	1,100,000	100.0%	1,100,000	35.4%
GEAR UP Kentucky	0		2,004,000	64.6%
Total Expenditures by Program	1,100,000	100.0%	3,104,000	100.0%